

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: JULY 7, 2014

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
SAMUEL MARTINEZ, Assistant Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #9: LAFCO 3179 – Service Review and Sphere of Influence
Expansion for County Service Area 54 (Streetlights—Mountain Region)

INITIATED BY:

Resolution of the San Bernardino County Board of Supervisors

RECOMMENDATION

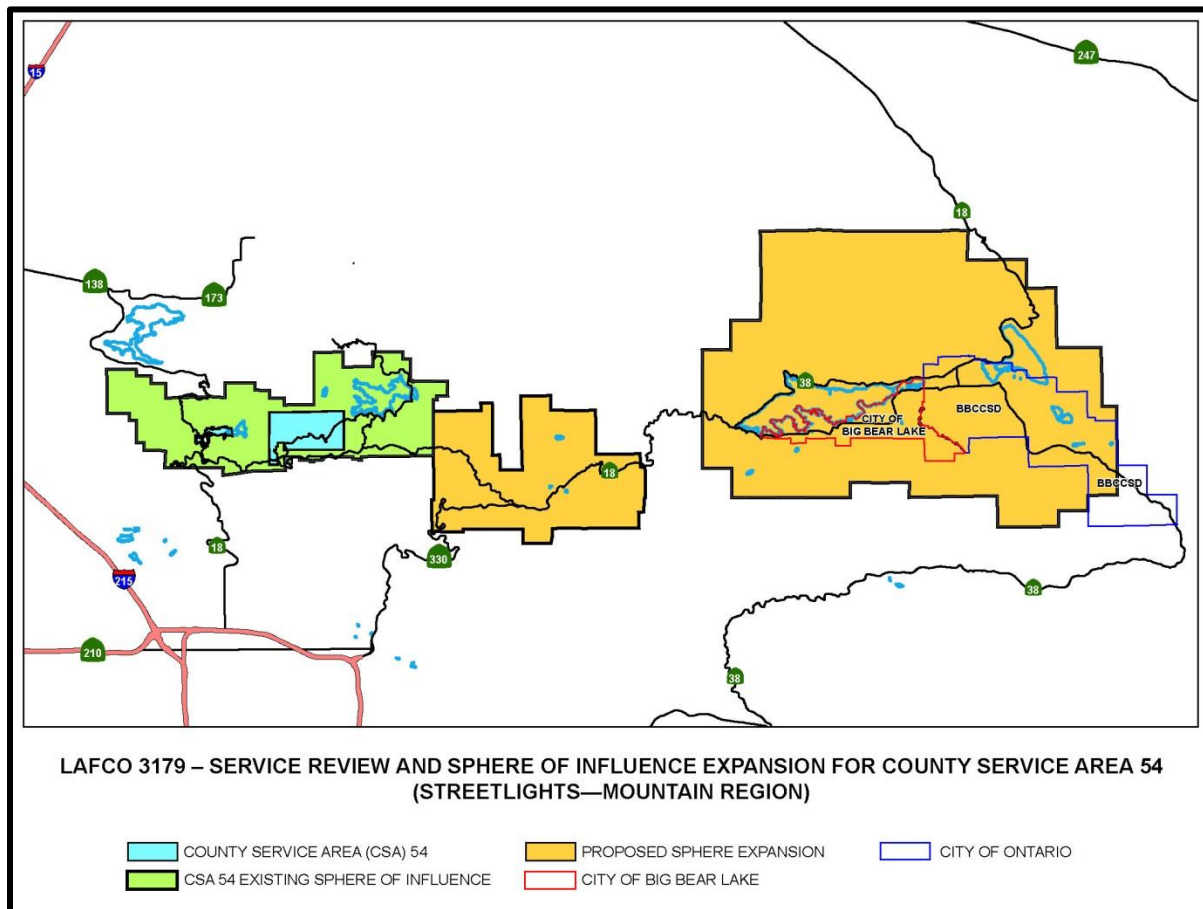
Staff is recommending that the Commission approve LAFCO 3179 by taking the following actions:

1. For environmental review, certify that LAFCO 3179, as modified, is statutorily exempt from the provisions of the California Environmental Quality Act and direct the Executive Officer to file the Notice of Exemption within five (5) days;
2. Modify LAFCO 3179 to exclude the City of Big Bear Lake and the Big Bear City Community Services District boundaries from the proposed sphere of influence expansion for County Service Area 54;
3. Approve LAFCO 3179, as modified; and,
4. Adopt LAFCO Resolution #3186 setting forth the Commission's determinations for LAFCO 3179.

BACKGROUND

LAFCO 3179 is a proposal initiated by the County to expand the sphere of influence for County Service Area 54 by approximately 83,884 acres (131+/- square miles) to include the LAFCO defined Hilltop and Bear Valley communities. The sphere of influence expansion proposal is part of a companion reorganization proposal (LAFCO 3180) that would

consolidate the County's streetlighting services within the mountain region into a single county service area. The map below shows the proposal as submitted by the County.



Currently, there are four County streetlighting agencies in the mountain region.

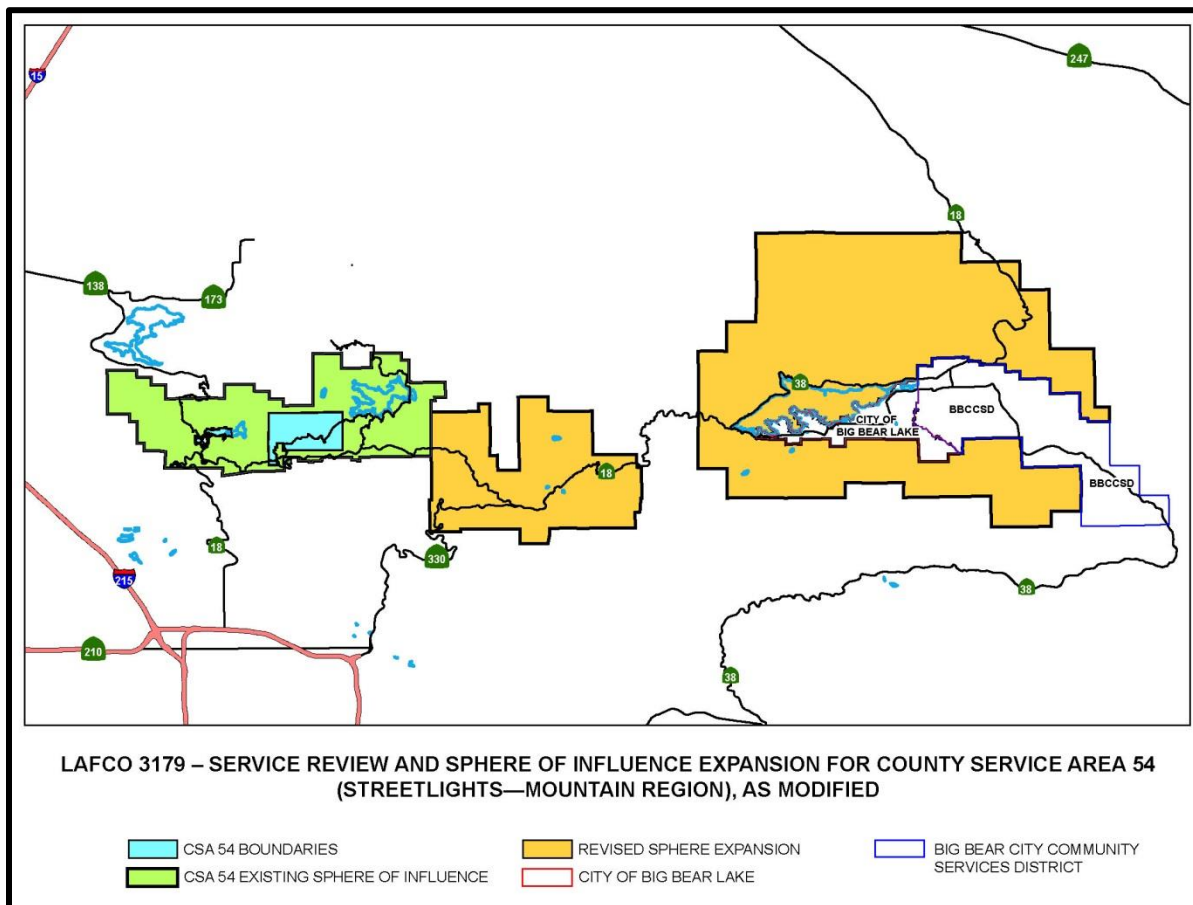
- County Service Area 54 (“CSA 54”) provides streetlighting service to approximately three square miles in the southeastern Crest Forest and southwestern Lake Arrowhead areas. Through its 2010 service review and sphere of influence update, the Commission approved a sphere modification (expansion) for CSA 54 to encompass the LAFCO defined Crest Forest and Lake Arrowhead communities.
- County Service Area SL-1 (“CSA SL-1”) is a streetlighting entity primarily for the Valley region of the County; however, a portion of CSA SL-1 is in the Lake Arrowhead area. The Lake Arrowhead portion encompasses approximately 8.46 acres generally located west of State Highway 173, north and south of Hook Creek Road.
- County Service Area 53 Zone A (“CSA 53A”) serves primarily the Fawnskin area in the Bear Valley community. CSA 53A includes three separate areas encompassing a total of approximately 7,859 acres.
- County Service Area 73 (“CSA 73”) provides streetlighting service to the Arrowbear community. CSA 73’s boundary encompasses approximately 429 acres. Through its

2011 service review and sphere of influence update, the Commission approved a sphere modification (expansion) for CSA 73 to encompass the entirety of the LAFCO defined Hilltop community.

Modification of the Proposed Sphere of Influence Expansion

After circulating the proposal through the Notice of Filing, LAFCO staff requested a response from the entities within the proposed sphere of influence expansion area that currently provide streetlighting services regarding the overlay of the sphere of influence for CSA 54. The City of Big Bear Lake responded that it does not consent to the overlay and requests that the City be removed from the proposed sphere expansion for CSA 54 (letter response included as part of Attachment #3). The Big Bear City Community Services District (CSD) responded that it wants to review the sphere expansion for CSA 54 within its service area at a later time (letter response included as part of Attachment #3).

As outlined above, both the City of Big Bear Lake and the Big Bear City CSD already provide streetlighting services within their respective boundaries. Therefore, based on the responses received from both agencies, LAFCO staff is modifying LAFCO 3179 to exclude the boundaries of the City of Big Bear Lake and the boundaries of the Big Bear Community Services District from the proposed sphere of influence expansion proposal for CSA 54.



This sphere review is required by Government Code Section 56375.5, which indicates that an annexation/reorganization proposal must be consistent with the agency's sphere of influence. In this case, the proposed sphere of influence expansion for CSA 54 will allow for the reorganization to consolidate all County streetlighting entities within the mountain region into a single county service area as well as plan for the future needs, if any, for this service.

Upon the Commission's approval of LAFCO 3179, as modified, the Commission will consider LAFCO 3180 – the companion reorganization proposal.

BOUNDARIES:

The modified sphere of influence expansion area, now encompassing approximately 69,087 acres (108 +/- square miles), generally includes the LAFCO defined Hilltop community and the Bear Valley community, with the exception of the territory within the City of Big Bear Lake and the Big Bear City Community Services District. The Hilltop community includes the areas generally known as Running Springs, Arrowbear Lake, Green Valley Lake, and the Snow Valley ski area. The Bear Valley community includes the areas generally known as Fawnskin, Baldwin Lake, Lake Williams, and Sugarloaf. Location and vicinity maps are included as Attachment #1 to this report.

LAFCO staff believes that the sphere expansion proposal, as modified, provides for a logical sphere of influence boundary that would allow for consolidating the County's streetlighting services within the mountain region. This not only includes the areas within the County's streetlighting entities, but also includes the existing LAFCO defined communities within the of the mountain region.

SERVICE REVIEW:

LAFCO staff responses to the mandatory factors for consideration for a service review (as required by Government Code 56430) are identified below and incorporate County Special Districts Department's response and supporting materials as well as supplemental information developed by LAFCO staff.

I. Growth and population projections for the affected area.

Development in the San Bernardino Mountains is naturally constrained by rugged terrain, limited access, and lack of support infrastructure, as well as by planning and environmental policies which place much of the area off limits to significant development.

Land Ownership

The land ownership distribution and breakdown within the San Bernardino mountain region is provided on the table below. Within the four LAFCO defined communities of Crest Forest, Lake Arrowhead, Hilltop, and Bear Valley, roughly 33% of the land is privately owned and the remainder, 67%, is within the San Bernardino National Forest (owned by the federal government), which are devoted primarily to resource protection and recreational use.

San Bernardino Mountain Region Land Ownership Breakdown (in Acres)

Ownership Type	LAFCO Defined Community				Total Acreage
	Existing CSA 54 Sphere of Influence		Proposed CSA 54 Sphere Expansion		
	Crest Forest	Lake Arrowhead	Hilltop	Bear Valley	
Private	5,507	7,780	6,387	14,485	34,159
Public Lands	3,981	1,415	9,667	53,258	68,321
Total	9,488	9,195	16,054	67,743	102,480

Population Projections

In 2000, the population within the LAFCO defined mountain region was 45,463. Based on the 2010 Census, the population for the mountain region was 46,759. This represents an average annual growth rate of only 0.28 percent within the given period.

In preparing the growth projection for the LAFCO defined mountain region, LAFCO staff has utilized a combination of the growth rates identified in the Regional Council of the Southern California Association of Governments (SCAG) 2012 Regional Transportation Plan (RTP) Integrated Growth Forecast for the City of Big Bear Lake and the County's unincorporated area for 2015 and 2020, and projected the growth rate between 2020 and 2040 based on: 1) for the unincorporated communities of Crest Forest, Lake Arrowhead, and Bear Valley, the actual growth rate for each of the respective communities between 2000 and 2010; 2) for the unincorporated community of Hilltop, the actual growth rate between 1990 and 2010; and 3) for the City of Big Bear Lake, the growth rate projection identified in the Urban Water Management Plan prepared for the City's Department of Water and Power, which had an annual growth rate of approximately 0.7 percent. As shown in the table below, it is estimated that the population within the mountain region is expected to reach 55,121 by 2040, or a total population increase of just 18 percent from 2010.

Population Projections 2010-2040 (Utilizing a Combination of SCAG Data and LAFCO Revised Projections)

Community	Census	SCAGs Projection		LAFCO Staff Revised Projection			
	2010	2015	2020	2025	2030	2035	2040
Existing CSA 54 Sphere							
Crest Forest	11,017	11,200	11,386	11,409	11,432	11,455	11,477
Lake Arrowhead	12,156	12,358	12,563	12,887	13,219	13,559	13,908
Proposed CSA 54 Sphere							
Hilltop	5,670	5,764	5,860	6,144	6,441	6,753	7,080
Bear Valley	1,893	1,924	1,956	2,099	2,253	2,417	2,594
Sub-total	30,736	31,246	31,765	32,539	33,345	34,184	35,059
Exclusion Areas							
• City of Big Bear Lake	5,019	5,311	5,619	5,818	6,025	6,239	6,460
• Big Bear City CSD	11,004	11,187	11,373	12,203	13,095	14,051	15,078
Sub-total	16,023	16,498	16,992	18,021	19,120	20,290	21,538
Mountain Region Total	46,759	47,744	48,757	50,560	52,465	54,474	56,597

II. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

The only service currently provided through CSA 54 is streetlighting. Southern California Edison (SCE) has provided verification that there are currently 179 streetlights funded through CSA 54. In addition, SCE has also provided verification that, within the Lake Arrowhead portion of CSA SL-1, there are currently 9 streetlights, and CSA 73 currently funds the operation and maintenance of 17 streetlights. Southern California Edison owns the streetlights within CSAs 54, SL-1, and 73.

Bear Valley Electric has also provided verification that there are currently 15 streetlights funded through CSA 53A. Bear Valley Electric also owns the streetlights within CSA 53A.

The expansion of streetlights for the future will be dependent upon new development approved by the County and the provision of its Night Sky Ordinance.

III. Financial ability of agencies to provide services.

The sole source of revenue for CSA 54 is its share of the general ad-valorem property tax levy. The majority of expenditures pay for the electricity costs to Southern California Edison and transfers to other County funds to pay for CSA 54's share of management and services support costs. As shown on the chart below, CSA 54 enjoyed excess revenue, which increased fund balance, for the past few years. However, the annual excess revenue has declined due to fewer property tax receipts and increased streetlighting costs from SCE, resulting in a loss for FY 2012-13. The electricity costs from SCE have risen within the past few years.

CSA 54 Financial Activity

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
	Actual	Actual	Actual	Actual	Actual	Actual
REVENUES						
Property Taxes		\$ 32,440	\$ 9,251	\$ 8,594	\$ 8,529	\$ 8,608
Other Taxes		\$ 261	\$ 128	\$ 66	\$ 118	
State Assistance		\$ 106	\$ 111	\$ 117		\$ 114
Investment Earnings		\$ 328	\$ 160	\$ 155	\$ 115	\$ 329
Total Revenues	\$ -	\$ 33,135	\$ 9,650	\$ 8,932	\$ 8,762	\$ 9,051
EXPENDITURES						
Salaries and Benefits		\$ 1,497	\$ 1,260	\$ 1,189	\$ 1,082	\$ 4,253
Services and Supplies		\$ 3,818	\$ 3,776	\$ 4,483	\$ 4,715	\$ 6,040
Total Expenditures	\$ -	\$ 5,315	\$ 5,036	\$ 5,672	\$ 5,797	\$ 10,293
Net Change in Fund Balance	\$ -	\$ 27,820	\$ 4,614	\$ 3,260	\$ 2,965	\$ (1,242)
Fund Balance - Beginning		\$ 9,016	\$ 12,669	\$ 17,282	\$ 20,542	\$ 23,507
Fund Balance - Ending	\$ -	\$ 36,836	\$ 17,283	\$ 20,542	\$ 23,507	\$ 22,265

note: 1) Fund Balance Ending calculated by LAFCO staff
2) FY 2009-10 audit restated the Beginning Fund Balance from \$36,836 to \$12,669.

CSA 54 has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it and pays a proportional cost of the administrative functions of the County Special Districts Department.

The portion of CSA SL-1 in Lake Arrowhead generates roughly \$545¹ a year from its share of the one percent general levy with roughly \$1,470² in annual costs to Southern California Edison. Thus, the revenue generated within the Lake Arrowhead portion of CSA SL-1 is not enough to support the electricity and administration charges for all its streetlights in Lake Arrowhead. However, as a part of a larger agency, the valley portion of CSA SL-1 is subsidizing this shortfall.

For the proposed sphere expansion area, CSA 53A serves a portion of the Bear Valley community and CSA 73 serves the Hilltop community. The following charts provide a summary of the net change in fund balances as well as the fund balance endings for both districts that illustrate a continuous decline in funding:

AUDIT DATA	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
<u>Net Change in Fund Balance</u>						
CSA 53A	\$ -	\$ 27,820	\$ 4,614	\$ 3,260	\$ 2,965	\$ (1,242)
CSA 73	\$ 1,433	\$ (334)	\$ (280)	\$ (1,587)	\$ (259)	\$ (179)

AUDIT DATA	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
<u>Fund Balance - Ending</u>						
CSA 53A	\$ -	\$ 36,836	\$ 17,283	\$ 20,542	\$ 23,507	\$ 22,265
CSA 73	\$ 1,621	\$ 1,287	\$ 1,007	\$ 473	\$ 214	\$ 35

Just like CSA 54, both CSAs 53A and 73 have no direct employees and both districts pay for a proportional share of salaries and benefits costs and also pay their proportional cost of the administrative functions of the County Special Districts Department.

IV. Status of, and opportunities for, shared facilities.

Streetlights cannot be shared. Southern California Edison owns the streetlights within CSAs 54, SL-1, and 73, and Bear Valley Electric owns the streetlights within CSA 53A.

However, the County is proposing a companion reorganization proposal to the proposed sphere expansion that would consolidate all County streetlighting entities in the mountain region to a single county service area to reduce administrative and other overhead charges while maintaining the current level of service.

V. Accountability for community service needs, including governmental structure and operational efficiencies.

Local Government Structure and Community Service Needs

CSA 54 is governed by the County Board of Supervisors and administered by the County Special Districts Department. It is within the political boundaries of the Second and Third

¹ 2014 revenue data taken from Application Supplemental Information (5-Year Projection) for LAFCO 3180

² 2014 energy cost taken from Application Supplemental Information (5-Year Projection) for LAFCO 3180

Supervisory Districts. The entirety of the sphere of influence expansion area is within the Third Supervisory District.

Operational Efficiency

As a mechanism to control costs, the County is proposing a companion reorganization proposal to the proposed sphere expansion that would consolidate all County streetlighting entities in the mountain region to a single county service area. The indirect charges currently being incurred by CSA 53A and CSA 73, which include salaries and benefits, services and supplies, and audit charges will no longer be incurred for each county service area, resulting in an overall cost reduction in these areas. *(Note: CSA SL-1 will continue to pay its indirect charges for the Valley area).*

Government Structure Options

During the 2010 service review and sphere of influence update for CSA 54, the option of consolidating the streetlighting districts was identified as a potential government structure option. The County is now responding to that option by proposing a companion reorganization proposal to the proposed sphere expansion that would consolidate all County streetlighting entities in the mountain region into a single county service area.

LAFCO staff supports the consolidation of these entities into a single streetlighting county service area to provide for more efficient and effective operation. As a part of the sphere of influence expansion proposal, staff supports expansion of the CSA 54 sphere of influence to encompass the Hilltop Community and the Bear Valley community (with the exception of the territory within the City of Big Bear Lake and the Big Bear City CSD's boundaries), which would expand CSA 54's sphere to encompass all four LAFCO-defined mountain region communities – Crest Forest, Lake Arrowhead, Hilltop and Bear Valley.

FACTORS OF CONSIDERATION:

The balance of this report provides staff responses to the “factors of consideration” required by State law for sphere of influence amendment proposals as outlined in Government Code Section 56425.

The present and planned land uses in the area

The private lands within CSA 54 are generally residential (RS-14M) with scattered commercial along State Route 189 and in the Lake Gregory area of the district. Within the Crest Forest community, the private lands are predominantly residential (RS-14M and RL-5), with scattered commercial along State Route 138 and along Lake Drive west of Lake Gregory. Within the Lake Arrowhead community, the major residential land uses include RS-14M (Single Residential, 14,000 sq. ft. minimum) and RS-1 (Single Residential, 1 acre minimum) with scattered commercial along State Route 189, 173, Rim Forest and along the lake (Lake Arrowhead Village). The public lands within both communities are designated Resource Conservation.

For the sphere expansion area, the land uses within the Hilltop community are generally designated as Resource Conservation (85%), and the rest are primarily residential land use (15%). The commercial land use designation within the Hilltop community is minimal. For the land uses within the Bear Valley community, most are primarily designated as Resource Conservation (82%), and the remainder include Single Residential (7%), Rural Living (5%), Floodway (lake areas at 5%), and a mix of commercial, industrial, and institutional land uses (1%).

The present and probable need for public facilities and services in the area

CSA 54 only provides streetlighting services within its boundaries and presently operates and maintains 179 streetlights. Currently, CSA 54 meets the service needs of those within its boundaries. For the future, additional streetlights would be installed in response to development activity under the County's Night Sky Ordinance.

The present capacity of public facilities and adequacy of public services that the agency provides

CSA 54 provides streetlighting within its boundaries and adequately serves the area. Revenues are generally adequate to support the current streetlighting activities. The County is proposing a companion reorganization proposal to the proposed sphere expansion (LAFCO 3180), which would consolidate all County streetlighting entities in the mountain region to a single county service area. The revenues generated within the other streetlighting entities would be adequate to support continuation of current streetlighting activities.

The existence of any social or economic communities of interest

Streetlighting is a public safety issue and is regional in nature. The social and economic communities of interest are the LAFCO defined communities within the mountain region – Crest Forest, Lake Arrowhead, Hilltop, and Bear Valley.

ENVIRONMENTAL CONSIDERATIONS:

As the CEQA lead agency, the Commission's Environmental Consultant, Tom Dodson from Dodson and Associates, has indicated that the review of LAFCO 3179 is statutorily exempt from the California Environmental Quality Act (CEQA). This recommendation is based on the finding that the Commission's approval of the sphere of influence amendment does not appear to have any potential to alter the existing physical environment in any manner different from the existing environmental circumstance; and therefore, the proposal is exempt from the requirements of CEQA, as outlined in the State CEQA Guidelines, Section 15061 (b)(3). A copy of Mr. Dodson's analysis is included as Attachment #4 to this report.

ADDITIONAL DETERMINATIONS

1. As required by State Law, notice of the Commission's hearing was provided in *The Sun*, a newspaper of general circulation within the area. Individual notice was not provided as allowed under Government Code Section 56157 as such mailing would include more

than 1,000 individual notices. As outlined in Commission's policy, the notice of hearing publication was provided through an eighth page legal ad in-lieu of individual notice.

2. To date, staff has not received any written protests on the proposal; however, this finding will be updated at the hearing.

CONCLUSION

LAFCO 3179, as modified, represents a reasonable expansion of the sphere of influence for CSA 54. This proposal has been submitted in order to move forward with the reorganization proposal to consolidate all County streetlighting entities within the mountain region into a single county service area. This action will make the sphere of influence for County Service Area 54, in general, consistent with the LAFCO defined mountain communities not currently a part of an existing streetlight provider. For all these reasons, and those identified within this report, staff recommends approval of LAFCO 3179, as modified.

Attachments:

1. [Location and Vicinity Maps](#)
2. [Sphere of Influence Application Submitted by the Special Districts Department](#)
3. [Letters from the City of Big Bear Lake and the Big Bear City Community Services District Regarding the Overlay of the Proposed Sphere of Influence Expansion](#)
4. [Response from the Commission's Environmental Consultant, Tom Dodson and Associates](#)
5. [Draft Resolution #3186](#)